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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Consumer Protection & Commerce
Wednesday, February 15, 2023
2:00 p.m.
Conference Room 329

On the following measure:
H.B. 588, H.D. 1, RELATING TO RENEWABLE ENERGY

Chair Nakashima and Members of the Committee:

My name is Dean Nishina, and I am the Acting Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to require the Public Utilities Commission (Commission) to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Commission. The bill also requires the Commission to: (1) distinguish between interconnection facilities and utility network upgrades; (2) ensure that the cost of interconnection facilities is the responsibility of the interconnection customer; and (3) ensure that the cost of utility network upgrades is the sole responsibility of the transmission provider. In addition, the bill establishes a timeline and requirements for

interconnection procedures to be established by the Public Utilities Commission for certain utility-scale renewable energy projects.

The Department appreciates the intent of this bill to expedite the timeline and procedures for interconnection in order to facilitate the development of renewable energy projects. The Department also notes that the Commission recently approved certain measures in Docket No. 2018-0088 that are meant to provide incentives and penalties to encourage expedited completion of interconnection facilities. If the proposed bill is enacted, the Department offers that the recently adopted performance incentive mechanism related to expediting interconnections will need to be revisited as it would be unreasonable for customers to reward the Hawaiian Electric Companies to comply with statutory mandates instead of achieving exemplary performance.

In addition, the Department offers that the proposed measure may have some unintended consequences. To explain, interconnection requirements generally depend on various types of factors, such as the type, size, and other characteristics of the facility, to name a few examples. The interconnection requirements may also need to consider location specific factors. Establishing standard requirements may result in either very conservative standards to mitigate concerns with reliability impacts or reliability concerns may arise if the interconnection requirements do not adequately address system conditions.

Thank you for the opportunity to testify on this bill.

TESTIMONY OF
LEODOLOFF R. ASUNCION, JR.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

Wednesday, February 15, 2023
2:00 p.m.

Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

MEASURE: H.B. No. 588 H.D. 1

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Requires the Public Utilities Commission to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Public Utilities Commission. Requires the Public Utilities Commission to distinguish between interconnection facilities and utility network upgrades; ensure that the cost of interconnection facilities is the responsibility of the interconnection customer; and ensure that the cost of utility network upgrades is the sole responsibility of the transmission provider. Establishes a timeline and requirements for interconnection procedures to be established by the Public Utilities Commission for certain utility-scale renewable energy projects. Effective 7/1/3000. (HD1)

POSITION:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

COMMENTS:

The Commission appreciates the previous committee's decision to remove the requirement to establish the Hawaii Electricity Reliability Administrator ("HERA") in light of the Commission's decision to hire an Independent Engineer and in an effort to mitigate additional costs to ratepayers to fund the HERA. The Commission continues to support the intent of this measure and is committed to overseeing a timely and transparent

interconnection process, while acknowledging the need for review and approvals from numerous local and State agencies, community acceptance for development, consideration of ratepayer impacts, and achievement of the State's energy goals.

The remaining elements of this bill were previously addressed in Act 201 SLH 2022, which directed the Commission to conduct a study related to the interconnection practices of Hawaiian Electric.¹ Key findings from this study pertain to multiple assertions made in this bill, which the Commission believes make the provisions of this bill unnecessary.

Relating to Section 1, the Act 201 study finds that the Commission is already regulating interconnection costs through its jurisdiction over the utility's tariffs and rules regarding interconnection cost definitions and responsibilities. Specifically, Hawaiian Electric's Rule No. 19 includes definitions for "interconnection facilities" and "system upgrades" and the cost responsibilities for each. In brief, the independent power producers ("IPPs") are responsible for the interconnection facilities between the generating facility and the point of interconnection and between the point of interconnection and the grid connection point, unless such a facility is deemed to only benefit the utility and is not attributable to the generating facility. The utility is responsible for system upgrades which are improvements to the grid other than interconnection facilities that are required to provide safe and reliability service.

Furthermore, the Commission disagrees with the legislature's finding that this lack of regulation "results in the ratepayer bearing the full financial burden of both interconnection costs and utility network upgrades in the electricity rates." The Commission points out that in all the U.S., regardless of FERC jurisdiction, ratepayers will bear the full financial burden of interconnection costs and utility network upgrades in the electricity rates, since the utility's capital expenses are passed through to customers in addition to the cost of generation from independent power producers, which include the cost of interconnection facilities.

The Commission will continue to oversee how this rule is applied to interconnection customers and will utilize the Independent Engineer to provide additional scrutiny on the

¹ The first phase of the Act 201 Study is available on the Commission's website, available at <https://puc.hawaii.gov/wp-content/uploads/2022/12/Act-201-Report-with-Attachment.pdf>.

justification and reasonableness of interconnection costs that are allocated to the interconnecting customers. In its regulation of cost allocation, it is the Commission's role to ensure the most cost-effective and fair means of providing power to customers. Therefore, the Commission will continue its efforts to determine who should bear the cost burden of interconnection-related expenses in a manner that fairly allocates such costs. The Commission will continue to utilize the Independent Engineer to make sure that interconnection requirements and information are clearly provided in Hawaiian Electric's tariffs and RFP materials to ensure certainty and cost transparency for project developers.

Relating to Section 2, the Act 201 study recommends that the Commission revisit the efforts to establish reliability standards for the interconnection procedures of the electric utility. The Commission does agree that establishing grid reliability standards may provide the benefits the legislature puts forth in this bill. The Commission strongly believes that flexibility must be preserved in any reliability standards that are adopted. Establishing strict reliability standards and interconnection requirements can limit the ability to design projects using the most up to date industry practices and achieve optimal reliability and cost-effectiveness.

The Commission appreciates the concern for additional costs placed on the interconnection customers but believes the proposed requirement that all additional costs of reliability standards or interconnection requirements shall not be the borne by the interconnection customer could have the unintended consequence of the utility passing this cost along to ratepayers or worse, forgoing a necessary reliability measure due to cost. The Commission believes it can make the best judgment on cost responsibility for any reliability standard or interconnection requirement, with the aid of the Independent Engineer, and recommends the following language change:

The commission [~~may~~] shall develop reliability standards and interconnection requirements as it determines necessary or upon recommendation from any entity, including an entity contracted by the commission to serve as the Hawaii electricity reliability administrator provided for under this part, for the continuing reliable design and operation of the Hawaii electric system[.]; ~~provided that~~ The commission shall determine the responsible party to bear any costs associated with any for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the commission.

Relating to Section 3, the Act 201 study finds that the Commission is responsible for approving the interconnection procedures utilized by the electric utility and continues to iterate on these procedures to make the process more efficient and transparent. To these ends, the Commission recently approved a performance incentive that will ensure the interconnection requirements are met as soon as practicable and the Commission has already required the Companies to file monthly status updates after a power purchase agreement is filed. Therefore, the Commission is already going above and beyond the requirements laid out in the proposed additions to HRS 269-145 Section b(1).

Finally, the Commission acknowledges that the second phase of the Act 201 study is underway this year to further investigate matters related to interconnection procedures, timelines, and costs. Recognizing the Legislature's continued interest in investigating these topics, the Commission requests consideration for appropriating additional funds to be spent on the remaining items of the Act 201 study which will largely come from the Commission's budget and may place constraints on the scope of the Independent Engineer, who is currently devoting great time and energy to overseeing and improving the Stage 3 RFP. This will allow the Independent Engineer and the Commission to take the steps necessary to improve the interconnection process and establish reliability standards.

Thank you for the opportunity to testify on this measure.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE**

H.B. 588 H.D. 1

Relating to Renewable Energy

Wednesday, February 15, 2023

2:00 p.m., Agenda Item #2

State Capitol, Conference Room 329 & Video Conference

Greg Shimokawa
Director, Renewable Acquisition
Hawaiian Electric

Chair Nakashima, Vice Chair Sayama, and Members of the Committee,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric in **opposition** to H.B. 588 H.D. 1, Relating to Renewable Energy.

H.B. 588 H.D. 1 proposes to increase Public Utilities Commission (“PUC”) regulation of reliability standards, and interconnection requirements, processes, and cost responsibilities for utility-scale renewable energy projects. A similar bill was introduced in the 2022 session. That bill ultimately resulted in Act 201 which mandated a study by an independent consultant of the interconnection process. The first phase of such study was concluded at the end of 2022 and a second phase is planned. The first phase suggested only minor improvements to the process which are currently being implemented by Hawaiian Electric. Enacting any legislation prior to the implementation of these items and the second phase of the Act 201 study is premature.

Hawaiian Electric understands the economic and environmental importance of streamlining the interconnection process to accelerate further integration of renewable energy projects. Timely completion and successful development of renewable projects

are critically important for several reasons, including meeting the State's Renewable Portfolio Standards ("RPS") requirements, reducing reliance on imported fossil fuels, stabilizing and reducing volatility of our customers' bills, reducing greenhouse gas emissions, and assisting with post-pandemic economic recovery. Given the importance of interconnection, the PUC, Hawaiian Electric, and other stakeholders have taken the following actions since the last legislative session. These changes should be allowed to take effect prior to introducing any legislation requiring further changes to the process.

1. The Performance Based Regulation ("PBR") process has implemented two scorecards related to interconnection providing further insight into the process and timelines. Most importantly, in the PBR docket, a performance incentive mechanism has been set and approved for utility scale interconnection. This performance incentive mechanism penalizes the utility when an interconnection requirement study ("IRS") takes longer than 12 months and rewards the utility the sooner it is completed. Further, in PBR the PUC has implemented rewards for accelerated RPS achievement and pursuant to Hawaii Revised Statute §269-92 established a \$20/MWh penalty for non-compliance of the RPS mandates. Additional penalties as proposed in H.B. 588 H.D. 1 would be unduly punitive.
2. As noted above, in 2022, Phase 1 of the Act 201 study was completed and filed at the end of 2022. Phase 2 of the study will specifically address driving factors for interconnection costs and timelines, and it would be premature to institute the provisions in this bill before such study is complete.
3. Hawaiian Electric continues to improve efficiencies and reduce timelines for the interconnection process based on its experiences with Stage 1 and 2 procurements. The company has incorporated changes in its Stage 3 RFPs,

including the following measures: (1) accelerated and streamlined engineering aspects, (2) shortened the IRS process by allowing for more parallel efforts and an earlier equipment software model verification process, and (3) provided developers with preliminary interconnection requirements and circuit capacity information during the bid submittal period, so developers can prepare more accurate bids. In addition, Hawaiian Electric has proposed a process where PPAs are executed after IRS completion, which will help ensure project milestones match the results of the IRS, and incentivize a quicker IRS process. This process would also enable Hawaiian Electric to create efficiencies by submitting only one application for approval of both a PPA and any line extension request.

4. The PUC hired an Independent Engineer (“IE”) to oversee technical aspects of the Stage 3 RFP process. Among other things, the IE has been tasked with comparing estimates to actual costs and verifying cost allocations by providing an independent review of interconnection requirements and their cost implications, and participating in discussions related to interconnection between the company and developers.

For these reasons, Hawaiian Electric believes H.B. 588 H.D. 1 is unnecessary.

Hawaiian Electric also notes that:

1. The PUC already has the authority to determine whether the requirements for interconnection are reasonable, and has mechanisms in place to regulate interconnection requirements.
2. H.B. 588 H.D. 1 does not take into consideration that developers play a crucial role in the interconnection process.
3. Mandating interconnection standards and timelines reduces the flexibility

needed to improve the efficiency and viability of renewable energy projects if changes would result in a better project. Examples include, changing equipment or design specifications for reduced costs and greater functionality, or to address permitting requirements, financing restrictions, or community feedback. Imposing strict requirements will likely slow the interconnection process and/or result in less reliable and resilient grids.

4. Requiring Hawaiian Electric to be responsible for all costs due to changes in reliability standards or interconnection requirements after PPA execution is unduly punitive in instances where such changes are initiated by developers.
5. The PUC already delineates interconnection cost responsibilities, as Hawaiian Electric includes Rule 19, a PUC approved tariff, in its RFPs. Rule 19 specifies the responsibility of interconnection costs, and outlines definitions associated with the interconnection process.

Hawaiian Electric firmly supports timely project completion. To this end, the PUC, Hawaiian Electric, and other stakeholders, have taken significant action since the 2022 legislative session to further improve the interconnection process rendering the need for H.B. 588 H.D. 1 moot.

Thank you for this opportunity to comment in opposition to H.B. 588 H.D. 1. For reasons mentioned above, we request this bill be held.



**HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
State Capitol, Room 329
415 South Beretania Street
2:00 PM**

February 15, 2023

RE: HB 588 HD1 - RELATING TO ENERGY INTERCONNECTION

Chair Nakashima, Vice Chair Sayama, and members of the committee:

My name is Max Lindsey, 2023 Government Relations Committee Chair of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities we all call home.

BIA-Hawaii is in opposition to HB 588. This bill would require the Public Utilities Commission (PUC) to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the PUC..

While we support renewable energy, this bill would further raise the cost of housing. With respect to energy interconnectivity, Hawaiian Electric Company already has a process during planning for housing developments. Housing developers already work closely with all utilities in the planning process, taking into account infrastructure, energy efficiency, and cost.

The state of Hawaii is in a dire housing crisis. As the Legislature is aware, the cost of housing in Hawaii is extremely high, with Oahu's median price of homes being currently over \$1 million. Approximately 153,967 U.S. households are priced out of buying a home for every \$1000 increase in price, according to the National Association of Home Builders (NAHB). We are in support of legislation that would allow for the building of much-needed housing at every price point in Hawaii.

Thank you for the opportunity to share our concerns.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

Testimony of The Hawaii Solar Energy Association (HSEA) Regarding HB588 HD1, Relating to Renewable Energy, Before the Senate Committee on Consumer Protection and Commerce

Wednesday, February 15, 2023

Aloha Chair Nakashima, Vice Chair Sayama, and committee members:

The Hawaii Solar Energy Association (HSEA) **offers comments on HB588 HD1**, which establishes by statute reliability standards and interconnection requirements for certain renewable energy projects under the Public Utilities Commission.

HSEA members include the majority of locally owned and operated renewable energy companies doing business in the state along with leading global cleantech manufacturers and service providers that invest and sell in our market. We employ thousands of residents in diverse green economy jobs that are innovating, designing, and building Hawaii's pathway to a renewable energy future. We advocate for policies that help Hawaii achieve critical climate and resilience goals by enabling residents and businesses to invest in and benefit from the transition to clean energy. These investments provide reliable and affordable power that reduces energy cost burden for all and contributes to Hawaii's energy security as we decarbonize our economy and electric grid.

HSEA is an active participant in the utility regulatory process and believes that new legislative measures are not necessary currently to aid the PUC and stakeholders in efforts to interconnect new utility-scale assets to the system. Adding an extra layer of stringency and rules to the interconnection process risks increasing cost, complexity, and uncertainty to grid transformation efforts.

Thank you for providing this opportunity to **offer comments on HB588 HD1**.

Sincerely,

/s/ Rocky Mould

Rocky Mould
Executive Director



Email: communications@ulupono.com

HOUSE COMMITTEE CONSUMER PROTECTION & COMMERCE
Wednesday, February 15, 2023 — 2:00 p.m.

Ulupono Initiative offers comments on HB 588 HD1, Relating to Renewable Energy.

Dear Chair Nakashima and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono offers comments on HB 588 HD1, which requires the Public Utilities Commission to establish reliability standards and interconnection requirements for certain renewable energy projects, provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Public Utilities Commission; requires the Public Utilities Commission to distinguish between interconnection facilities and utility network upgrades, ensure that the cost of interconnection facilities is the responsibility of the interconnection customer, and ensure that the cost of utility network upgrades is the sole responsibility of the transmission provider; and establishes a timeline and requirements for interconnection procedures to be established by the Public Utilities Commission for certain utility-scale renewable energy projects.

Ulupono is acutely aware of the fact that interconnection costs and uncertainty over those costs has been a top concern for renewable energy developers for many years now. However, just last year in the Performance-Based Regulation docket, the Public Utilities Commission closely considered interconnection timeliness, costs, and related issues. Based on that examination, and with significant and broad stakeholder input, the Commission put in place a new Performance Incentive Mechanism (PIM) that has both financial penalties for slow interconnections and financial rewards for unusually quick/timely interconnections. The utility now has a direct, financial incentive to interconnect renewable energy projects as quickly as possible. Similarly, the utility also has a reliability PIM so there are financial incentives for reliability as well. In addition, with stakeholder support, the interconnection process and overall fairness has been augmented by the use of an independent engineer, which

Investing in a Sustainable Hawai'i



can act as a sort of “referee” between the utility and developer concerning interconnection requirements.

As both the interconnection incentive and the independent engineer are improvements that had significant stakeholder input—and have been in place for less than a year—we have a strong preference for allowing these innovations to be tested and prove themselves before adding additional requirements and legislation “on top of” so-to-speak this new approach.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



Testimony Before the House Committee on Consumer Protection & Commerce

By David Bissell
President and Chief Executive Officer
Kaua'i Island Utility Cooperative
4463 Pahe'e Street, Suite 1, Līhu'e, Hawai'i, 96766-2000

Wednesday, February 15, 2023; 2:00 pm
Conference Room #329 & Videoconference

House Bill No. 588 HD1 - RELATING TO RENEWABLE ENERGY

To the Honorable Chair Mark M. Nakashima, Vice Chair Jackson D. Sayama and Members of the Committee:

Kaua'i Island Utility Cooperative (KIUC) is a not-for-profit utility providing electrical service to more than 34,000 commercial and residential members.

KIUC opposes this measure.

Over the past 10 years, KIUC has significantly increased its renewable generation. In 2010, KIUC's energy mix included 10% renewable. Renewable production for 2021 reached 70%. This large growth in renewable generation has significantly stabilized KIUC's rates: since May 2022, KIUC has posted the lowest residential electricity rates in the state.

Please consider that many of the issues cited in Section 1 of HB 588 HD1 do not apply to KIUC. Our ability to negotiate power purchase agreements for utility-scale renewable projects, which have been subsequently reviewed and approved by the Public Utilities Commission in a timely manner, has directly resulted in the rapid deployment of renewable projects, an exponential increase in renewable production, and significant rate stabilization over the past ten years. In addition, KIUC's annual reliability statistics are consistently among the best in the state.

If this measure is passed, there will be additional regulatory compliance and reporting requirements which must be shouldered by KIUC - a small, not-for-profit utility with limited resources - without demonstrable need for such. Furthermore, it can be argued that the PUC already has the ability to regulate interconnection requirements should circumstances necessitate such action.

We encourage you to reconsider the need for this bill, particularly as it relates to KIUC.



Testimony to the Committee on Consumer Protection & Commerce

Wednesday, February 15, 2023

2:00 PM

VIA Video Conference

Conference Room 329, Hawaii State Capitol

HB 588 HD1

Chair Nakashima, Vice Chair Sayama, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** the intent of HB588 HD1, Requires the Public Utilities Commission to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Public Utilities Commission. Requires the Public Utilities Commission to distinguish between interconnection facilities and utility network upgrades; ensure that the cost of interconnection facilities is the responsibility of the interconnection customer; and ensure that the cost of utility network upgrades is the sole responsibility of the transmission provider. Establishes a timeline and requirements for interconnection procedures to be established by the Public Utilities Commission for certain utility-scale renewable energy projects.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance and sustain the development of clean energy in Hawaii. Our goal is to support the state's policy goal of 100 percent renewable energy by 2045. We advocate for utility-scale renewable energy, which is critical to meeting the state's clean energy and carbon reduction goals.

We offer these comments.

HCPA appreciates the previous committee's passage of this important bill that will add transparency and urgency to the delivery of grid-scale renewable projects at a lower cost to ratepayers. HB588 HD1 provides a meaningful step towards this. The previous committee amended this bill to delete provisions that would have required the Public Utilities Commission to contract for the Hawaii electricity reliability administrator and submit a report and assessment of the Hawaii electricity reliability administrator to the Legislature. We would appreciate further consideration of the provision that was deleted. Currently, the PUC has taken meaningful steps in overseeing the proposed RFP 3 projects, however, the scope of their consultant, specifically the Independent Engineer (IE) takes no responsibility for the undelivered RFP 1 and RFP 2 projects still waiting in the wings to be built, and impacted by

interconnection. By adding back the provision for a Hawaii Electric Reliability Administrator, the PUC will start to build institutional knowledge and oversee all processes and projects that are yet to be built as well as future projects.

The Issue

As the legislature recognizes, moving with intention and urgency is needed to meet the state's ambitious renewable energy goals, bring financial relief to ratepayers, and reduce carbon emissions. Viable renewable projects rely on a clear timeline and transparent and straightforward costs to ensure their proposed projects can provide affordable renewable energy to the ratepayers and will positively contribute to the state's renewable energy portfolio and carbon reduction goals.

Power supply and electric grid system reliability is essential to everyone in the state – utilities and consumers. The state's decision to mandate the retirement of the coal plant was based on the expectation of timely completion of new replacement renewable generation. Significant delays of these new renewable projects and termination of many of these projects were due, in part to interconnection delays and escalating interconnection costs and have created heightened concerns regarding the potential for outages and the increased use of fossil fuel at a higher price to ratepayers.

HERA will Save Ratepayers Electricity Costs

Out of the 8 projects in the RFP1 solicitation, only 3 projects have been completed, and of the 19 projects of RFP2 have resulted in close to 50% terminating. The Hawaiian Electric and the PUC tracks the financial impacts to ratepayers of these delays of the renewable projects versus the increasing cost of fossil fuels. As of January 2023, the cumulative impacts of the cost difference of paying the current oil based energy vs the reduced cost of what they could have been paying if the renewable projects were operating have cost rate payers over \$77 Million for just the RFP 1 delays and that does not include the RFP2 delays. (See Docket No. 2021-0024 *Opening a Proceeding to Review Hawaiian Electric's Interconnection Process and Transition Plans for Retirement of Fossil Fuel Power Plants* [PUC DMS Link](#), at page 90/93).

By revising this existing statute – simply changing the word “may” to “shall” – the legislature provides the public utility commission full oversight and authority over the interconnection process and will take a meaningful and substantive step towards meeting the ambitious renewable energy targets.

How the Legislation will Accelerate Renewable Projects

Developers look to two markers to determine the viability of renewable projects:

- (1) Timeliness and consistency of decision-making and execution by the regulatory and utility entities and

(2) The costs of interconnection. Recently, the public utilities commission has instituted that the utility interconnection study (IRS) (which provides the interconnection costs) be completed after the power purchase agreement (PPA) rate has been established and prior to submission for the PUC approval (previous process initiated the IRS after the PUC submission). However, once the PPA rate is established, there is no mechanism in the bidding process or contracting process to revise the rate to reflect escalating interconnection costs, which, for RFP1 and RFP2 have increased significantly. In fact, the utility is allowed to increase these costs up through the delivery of the project, usually at least 3 years after establishing the power purchase price. This new process, intended to mitigate the uncertainty of interconnection timeliness and costs, does little to fix the issue and continues to jeopardize the project's successful completion. The new process merely allows the project to terminate earlier in the process. When these costs become apparent long after the proposed price has been approved, without the ability to adjust the price due to factors beyond its control such as interconnection costs, it can make the project no longer financially viable and financeable. As we have seen this play out in recent months, this will cause the project to terminate, setting back renewable development for many years. Hawaii was once known as the innovative and a welcoming opportunity to develop renewable energy projects. It now leaves the industry wary of developing projects in Hawaii due to the risks involved in Hawaii. Timeliness of the interconnection process and transparency in cost can help to resolve some of these risks that delay the state's achievement of the clean energy goals.

Independent Engineer an Excellent Initial Step, However Falls Short of Hawaii Electric Reliability Administrator Responsibilities

Last year, the PUC completed a study on interconnection issues as directed by the 2022 Legislature. The study concluded that interconnection needs reform; however, it stopped short to recommend the Hawaii Electric Reliability Administrator (HERA) position, and instead recommended a short-term consultant be an Independent Engineer (IE), yet only the upcoming RFP 3 renewable energy procurement. The PUC procured a short-term IE consultant. While promising, this falls short of correcting the interconnection issues, because RFP 1 and 2 projects are not included, and the risks remain. Additionally, the IE will not have direct authority compared to a Hawaii Electric Reliability Administrator who will have institutional knowledge as a staff of the PUC. A qualified entity can dedicate focus to address the interconnection process, timeliness, transparency, and equity.

Funding

Additionally, as stated in statute, the cost of the Hawaii Electricity Reliability Administrator Program is funded by those projects that are interconnecting to the grid, not the ratepayer, into the HERA special fund as noted in HRS §269-146.

Public Utility Commission Regulatory Oversight

Put simply, when risks are controlled, so are costs. The HERA allows for the PUC to have more oversight into grid reliability standards and interconnection process and provides for more

transparency. It puts in place tools that address and control costs, eliminating the unknowns that can derail a project. Importantly, as implemented most other states, it also ensures that the renewable project bears the risk and is responsible for all costs of interconnecting to the grid and the utility is responsible for any grid facilities costs and to be fair, to allow the utility to recover these costs in the existing rate-case process.

Summary

When variables and risks are controlled through PUC oversight, ultimately rate payers' benefit. This bill will support the state's progress to 100 percent renewable electricity while setting standards for grid reliability, a win-win-win for all stakeholders.

We ask the committee to pass this bill with consideration to amend it back to HD588 original version.

Thank you for the opportunity to testify.

HB-588-HD-1

Submitted on: 2/13/2023 10:41:58 AM

Testimony for CPC on 2/15/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Oppose	Written Testimony Only

Comments:

I oppose this Bill.

HB-588-HD-1

Submitted on: 2/13/2023 2:38:13 PM

Testimony for CPC on 2/15/2023 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Douglas Perrine	Individual	Support	Written Testimony Only

Comments:

Anything that speeds up permitting and connection of renewable energy generation facilities is welcome.